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BEFORE THE ARIZONA CORPORATION COMMISSION

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KRISTIN K. MAYES

Chairman

GARY PIERCE

Commissioner

PAUL NEWMAN

Commissioner

SANDRA D. KENNEDY

Commissioner

BOB STUMP

Commissioner

Arizona Corporation Commission

DOCKETED

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IN THE MATTER OF ARIZONA PUBLIC
SERVICE COMPANY REQUEST TO
EXTEND COMPETITION RULES
COMPLIANCE CHARGE

DOCKET NO. E-01345A-10-0006

DECISION NO. 71500ORDER

Open Meeting
March 2 and 3, 2010
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. Arizona Public Service Company ("APS") is certificated to provide electric service as a public service corporation in the State of Arizona.

2. On January 8, 2010, APS filed a Request to Extend the Competition Rules Compliance Charge requesting that the Commission authorize the continuation of the Competition Rules Compliance Charge ("CRCC") until the remaining balance is collected.

3. In Decision No. 61973, dated October 6, 1999, the Commission approved a settlement agreement among APS and several other parties which established terms and conditions for the introduction of competition in generation and other competitive services. Included in the 1999 settlement agreement is language which allows for an adjustment clause which would provide "full and timely" recovery of certain "reasonable and prudent" costs related to compliance with Commission-ordered programs or directives related to the implementation of the Electric Competition Rules.

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1 4. The 1999 settlement agreement also required APS to file an application for the
2 adjustment clauses by June 1, 2002, and that the adjustment clauses become effective July 1,
3 2004.

4 2. On May 31, 2002, APS filed an application for approval of rate adjustment
5 mechanisms including the CRCC. Decision No. 66567, dated November 18, 2003, determined
6 that review and implementation of the CRCC "should occur in the rate case, as the appropriate
7 level of costs to be recovered will be determined there." The Decision also stated that, "We are
8 adopting a CRCC [sic] at this time, but the specifics of the surcharge will be determined later,
9 during the pending rate case where they can be evaluated in context of the size of the amount to be
10 recovered."

11 3. The rate case to which the Decision referred was ultimately decided in Decision
12 No. 67744 on April 7, 2005. Decision No. 67744 also adopted a settlement agreement. This 2005
13 settlement agreement included the following language about the CRCC:

14 86. "Included in the total test year revenue requirement is approximately \$8
15 million for the CRCC. APS may recover \$47.7 million plus interest
16 calculated in accordance with paragraph 19.h through a CRCC of
\$0.000338/kWh over a collection period of five years.

17 87. "When the above amount is recovered, the CRCC will terminate immediately.
18 If any amount remains unrecovered/over recovered after the end of the five
19 year period, APS shall file an application with the Commission to adjust the
CRCC to recover/refund the balance.

20 88. "The CRCC shall be a separate surcharge, i.e., it shall not be included in base
21 rates. The CRCC shall be assessed against all customers except for those
served on rate schedules Solar-1 or Solar-2.

22 89. "As part of the tariff compliance filing set forth in Paragraph 135, APS shall
23 file a plan of administration that describes how the CRCC shall operate."

24 4. Decision No. 67744 and the 2005 settlement agreement set forth \$0.000338 per
25 kWh as the amount to be assessed each month over five years in order to collect \$47.7 million.

26 5. APS implemented the \$0.000338/kWh CRCC on April 1, 2005.

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6. APS supplied Staff with an accounting of the balance of the regulatory asset (the \$47.7 million allowed to be collected under Decision No. 66567) showing by month MWHs sold and changes in the balance from the CRCC collections and interest charges.

7. The undercollected balance at December 31, 2009, was \$7.1 million. The documents indicate that at April 1, 2010, when the CRCC would normally expire, the under collected balance will be \$5.1 million. If approval to extend the CRCC is granted, APS expects to collect the full balance by the end of September, 2010. The undercollection occurred because APS' five-year forecast of kWh sales was too optimistic.

8. APS is requesting to collect the full balance of the regulatory asset even though the five year period set forth in Decision No. 67744 will have expired in April, 2010. Staff believes such circumstances were foreseen by Decision No. 67744 and the 2005 settlement agreement because both documents included language addressing these circumstances.

9. Staff believes that in keeping with Decision No. 67744 and the 2005 settlement agreement, APS should be authorized to collect the remaining balance of the regulatory asset created in that Decision.

10. Staff has recommended that the Commission approve the request of APS to extend the collection of the CRCC until the remaining balance of the CRCC asset has been recovered. Staff has also recommended that within 10 calendar days from the day that the regulatory asset is reduced to zero, or reduced to a level which would be uneconomic to collect, APS file in this docket as a compliance filing, a document indicating that it will no longer apply the CRCC.

CONCLUSIONS OF LAW

1. APS is an Arizona Public Service corporation within the meaning of Article XV, Section 2, of the Arizona Constitution.

2. The Commission has jurisdiction over APS and over the subject matter of the application.

3. The Commission, having reviewed APS' application and Staff's Memorandum dated February 11, 2010, concludes that it is in the public interest that APS be authorized to extend

...

1 the period of collection of the CRCC until the CRCC regulatory asset is recovered, as discussed
2 herein.

3 ORDER

4 IT IS THEREFORE ORDERED that Arizona Public Service Company's request to extend
5 the Competition Rules Compliance Charge until the full balance of the \$47.7 million is collected is
6 approved, as discussed herein.

7 IT IS FURTHER ORDERED that within 10 calendar days from the day that the
8 Competition Rules Compliance Charge is reduced to zero, or reduced to a level which would be
9 uneconomic to collect, Arizona Public Service Company shall file in this docket as a compliance
10 filing, a document indicating that it is no longer applying the CRCC.

11 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

12 **BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION**

13 
14 CHAIRMAN

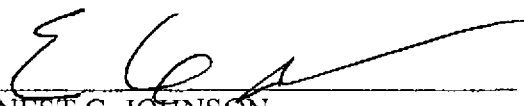

COMMISSIONER

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17 COMMISSIONER


COMMISSIONER

COMMISSIONER

18 IN WITNESS WHEREOF, I, ERNEST G. JOHNSON,
19 Executive Director of the Arizona Corporation Commission,
20 have hereunto, set my hand and caused the official seal of
21 this Commission to be affixed at the Capitol, in the City of
Phoenix, this 17th day of MARCH, 2010.

22 
23 ERNEST G. JOHNSON
24 EXECUTIVE DIRECTOR

25 DISSENT: 

26
27 DISSENT: 

28 SMO:LAJ:lhmm\CHH

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